

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 AID-05 SP-02 EB-07 NSC-05 CIEP-01

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 DODE-00

PM-04 H-02 INR-07 L-03 NSAE-00 PA-01 PRS-01 USIA-06

COME-00 FRB-03 XMB-02 OPIC-03 LAB-04 SIL-01 IGA-02

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R 241010Z FEB 76

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 4200

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E.O. 11652: N/A

TAGS: EFIN, IN

SUBJECT: DEBT ARREARAGES ON USG LOANS AND CREDITS

1. THE EMBASSY RECENTLY RECEIVED A COPY OF A PAPER PREPARED FOR THE NATIONAL ADVISORY COUNCIL (NAC) ON INDIA'S "DEBT ARREARAGES AND USG LOANS AND CREDITS." THIS PAPER WAS PREPARED FOR THE NAC IN CONNECTION WITH NAC CONSIDERATION OF AN IDA CREDIT TO INDIA. WE WERE SURPRISED TO SEE FROM THIS PAPER THAT INDIA IS LISTED AS HAVING DEBT ARREARAGES TOTALING \$7,971,447. A CHECK OF OUR FILES SHOWS NO EVIDENCE THAT THIS SUBJECT HAS BEEN DISCUSSED WITH THE GOI IN RECENT YEARS. IF INDEED SUCH ARREARAGES EXIST, WE CANNOT UNDERSTAND WHY THEY HAVE NOT BEEN RAISED WITH THE GOI.

2. OUR REVIEW OF THE MAJOR COMPONENTS OF THE PAPER RAISE SERIOUS DOUBTS WHETHER IN FACT SUCH ARREARAGES TO EXIST. THE LARGEST COMPONENT IS \$4,299,006 UNDER "WAR ACCOUNT SETTLEMENTS AND LEND LEASE." WE NOTE THAT ON JANUARY 24, 1975 THE USG AND THE GOI SIGNED AN AGREEMENT WHEREBY INDIA PAID RS 14 MILLION TO THE USG AND THE USG ACKNOWLEDGED THAT "SUCH CREDIT SHALL CONSTITUTE FULFILLMENT OF ALL OBLIGATIONS OF THE GOI UNDER THE SAID

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LEND LEASE SETTLEMENT AGREEMENT." WE ARE UNAWARE OF ANY OTHER

PENDING MATTER RELATING TO LEND LEASE.

3. THE SECOND LARGEST CATEGORY RELATES TO "CURRENCY LOANS TO PRIVATE ENTERPRISES." THERE ARE INDEED A NUMBER OF COOLEY LOANS TO INDIAN PRIVATE ENTERPRISES WHERE THE BORROWER IS IN DEFAULT. HOWEVER, SINCE NONE OF THESE LOANS ARE GUARANTEED BY THE GOI, IT IS DIFFICULT TO IMAGINE THAT THIS COULD BE CONSIDERED A GOI DEBT ARREARAGE.

4. THE REMAINING ITEMS ARE ALL EXTREMELY SMALL. ODRI HAS NO RECORD OF ANY DEBT ARREARAGES RELATING TO "MILITARY SALES" - (\$12,364). AID DOES HAVE A CLAIM WHICH AMOUNTS TO \$640 WHICH RELATES TO AID TRUST ACCOUNT CLAIMS AGAINST PRIVATE INDIAN LANDLORDS. THE AID MISSION HERE IS UNAWARE OF ANY AID REFUND CLAIM AGAINST THE GOI. WE SIMILARLY HAVE NO RECORD OF ANY CLAIM BY THE NATIONAL BUREAU OF STANDARDS.

5. ACTION REQUESTED: WE WOULD APPRECIATE IT IF THE REFERENCED NAC PAPER COULD BE REVIEWED AND EITHER CORRECTED OR THE PERTINENT INFORMATION FURNISHED TO THIS EMBASSY. THE GOI IS EXTREMELY PROUD OF ITS RECORD OF MEETING FINANCIAL CLAIMS AND, IF INDEED WE CAN DOCUMENT THERE ARE ANY DEBT ARREARAGES, WE ARE FAIRLY CERTAIN THAT A SETTLEMENT COULD BE NEGOTIATED.
SAXBE

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